



## **Merchant Navy Officers Pension Fund secures members' benefits with Lucida**

London – 29<sup>th</sup> Sept 2009 – The Trustee of the Merchant Navy Officers Pension Fund (MNOFP) has secured around £500 million of pension liabilities through a bulk annuity contract purchased from Lucida plc, an insurance company focused on the annuity and longevity risk business.

The agreement entails Lucida insuring over half of the total pensioner benefits of the Old Section; a section of the fund which closed in 1978 and covers almost 22,000 retired members.

Andrew Waring, the Chief Executive of MNOFP said: "Security has been the Trustee's watchword in deciding to de-risk, in selecting a provider and in negotiating the contract. This insurance policy takes a significant step along that path and is an important contribution to our wider strategy of progressively reducing risks across the Fund."

Jonathan Bloomer, Executive Chairman of Lucida, commented, "We are delighted that MNOFP has chosen to partner with Lucida to help them manage their risks and protect their members' benefits. Our team, our commitment to excellent customer care and our strong capital position enabled us to be successful in this competitive process."

Watson Wyatt Project Lead and Senior Consultant, Paul Kitson said "Annuities and similar solutions are the ultimate matching asset for pension schemes and protect them from market movements and increasing life expectancy. Multi-billion pound pension funds like MNOFP are looking to de-risk in stages but be ready to move quickly and take advantage of opportunities such as this as they arise"

Robert West, Head of Pensions at Baker & McKenzie who provided legal advice, comments, "The uncertainties of the last year in the financial markets have left many trustee boards with a strong desire to increase members' security through buy-in arrangements. This agreement between MNOFP and Lucida breaks new ground for industry-wide schemes and provides renewed impetus in the marketplace".

### **Editors Notes**

- The MNOFP is an industry-wide scheme set up in 1937 to allow shipping companies to provide retirement and death benefits for their officers. The transaction involves the Old Section of the fund which was closed in 1978.
- This bulk annuity policy is a 'buy-in' rather than a 'buyout'. This 'Buy-in' agreement involves Lucida insuring the longevity and asset risks of a proportion of the Old Section of the MNOFP. The insurance policy becomes a new asset class within the pension scheme, overseen by the MNOFP Trustee alongside the other scheme assets. This means that individuals remain entitled to benefits from the scheme rather than from Lucida and will receive their benefits in exactly the same way as now.
- Exchanging existing low-risk assets for an annuity policy which more precisely matches the scheme's liabilities was an investment decision that did not require additional funding from the MNOFP's participating employers.
- The deal commences immediately.



- As Lucida's principal shareholder, funds controlled by Cerberus Capital Management, L.P. and its affiliates (collectively, Cerberus) have injected £80m of new capital to support this transaction.
- MNOFP's long-term actuarial and investment advisors Watson Wyatt and legal advisors Baker & McKenzie led the de-risking and selection process.

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**About MNOFP**

The Merchant Navy Officers Pension Fund was established in 1937 and for over 70 years has provided benefits designed to meet the needs of ship's officers. The industry wide MNOFP is set up under English Law in the form of a trust, managed by a company, MNOFP Trustee Limited. Half the directors of the trustee company are nominated by employers and half by the union, Nautilus International on behalf of members.

**About Lucida**

Lucida is an insurance company focused on the annuity and longevity risk business, including the defined benefit pension buyout market and the market for bulk annuities. Lucida offers tailored solutions to the risks, volatility and administrative burden associated with corporate defined benefit pension schemes. Lucida is backed by funds controlled by Cerberus Capital Management, L.P. and its affiliates. Cerberus is one of the world's leading private investment firms. Lucida plc is authorised and regulated by the Financial Services Authority ("FSA"). [www.lucidapl.com](http://www.lucidapl.com)

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